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February 1, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station – 2nd Flr.
Boston, MA 02110

**Re: Boston Edison Company
D.T.E. 01-108**

Dear Secretary Cottrell:

Enclosed for filing in the above-referenced matter is the Rebuttal Testimony of Henry C. LaMontagne.

If you have any questions regarding this filing, please let me know.

Very truly yours,

A handwritten signature in dark ink, appearing to read "William S. Stowe", written in a cursive style.

Enclosure

cc: William Stevens, Hearing Officer (7 copies)
George Dean, Esq.
Joseph Rogers, Esq.
Alexander Cochis, Esq.
Trudy Reilly, Esq.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

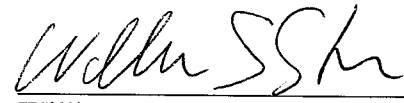
Boston Edison Company)
_____))
_____)

DTE 01-108

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Rebuttal Testimony of Henry C. LaMontagne to all parties in this proceeding.

Dated this 1st day of February, 2002.



William S. Stowe

Boston Edison Company

Rebuttal Testimony of Henry C. LaMontagne

D.T.E. 01-108

1 **Q. Please state your name and business address.**

2 A. My name is Henry C. LaMontagne. My business address is 800 Boylston Street,
3 Boston, Massachusetts 02199.

4 **Q. Have you previously filed testimony in this proceeding?**

5 A. Yes, I have filed direct testimony in this proceeding on January 25, 2002.

6 **Q. What is the purpose of this rebuttal testimony?**

7 A. My purpose is to provide a brief response to certain points in the pre-filed direct
8 testimony of Lee Smith.

9 **Q. Have you reviewed the pre-filed direct testimony of Lee Smith?**

10 A. Yes, I have.

11 **Q. Does Boston Edison Company have any disagreement with the conclusions**
12 **and recommendations contained in Ms Smith's direct testimony?**

13 A. Yes. For the most part, however, the Company's disagreement is more a matter
14 of argument rather than a matter of factual disagreement to address in testimony.
15 Accordingly, the Company would intend primarily to address such issues in its
16 brief. What I propose in my rebuttal testimony is to respond to or correct a few
17 selected points where I believe Ms. Smith's testimony may have left out or
18 mischaracterized certain facts or other issues which she uses to support her
19 conclusions.

1 **Q. What is the first issue you would like to address?**

2 A. On page 7 of her testimony, Ms. Smith alludes to the purchase by the MWRA of
3 the combustion turbines, which Boston Edison had originally constructed for the
4 MWRA on Deer Island, because the MWRA required a backup supply for Deer
5 Island. In mentioning the cost of this purchase, Ms. Smith appears to imply that
6 the MWRA was somehow absorbing costs that would have been "stranded."
7 What is not stated is the fact that, in my understanding, Boston Edison would
8 have never constructed combustion turbines at Deer Island, except for the fact that
9 the MWRA had a specific requirement for a backup supply and that there was a
10 specific contract under which Boston Edison constructed the combustion turbines
11 for the MWRA. MWRA bought out of this contract in 1994 for their own
12 economic reasons having nothing to do with stranded costs, but for the
13 predominant reason, in my understanding, that it would save on payment of
14 property taxes.

15 I don't believe that Ms. Smith's description of this issue does anything to support
16 her apparent premise that the MWRA should have a lower transition charge
17 because they were responsible for fewer stranded costs. The combustion turbines
18 were part of an entirely separate contract which had nothing to do with stranded
19 costs. By the same token, Ms. Smith raises the point that the MWRA's Deer
20 Island facility was not on the system when Pilgrim was built or various above-
21 market power contracts were executed. The same is true of many other Boston

Edison customers, and her stated premise that “if BECO’s stranded costs were allocated to customer classes based on cost incurrence” is simply not the case.

Q. What is the second point you would like to address?

A. On page 6 and 7, Ms. Smith makes an argument concerning the costs incurred by MWRA under a separate cable agreement. While I don’t believe that agreement is remotely relevant to this proceeding, or to the issue of stranded costs or rate reductions, Mr. Smith fails to note that the payments under the separate cable agreement are to a separate entity, Harbor Electric Energy Company (“HEEC”), which is a subsidiary of Boston Edison. Payments for this cable are not payments for delivery service like “all other customers” who pay for delivery through their distribution rate. In fact, the situation is more akin to that of a customer who pays a line extension charge or other contribution in aid of construction to receive service, or a customer who would purchase a step-down transformer so as to qualify for a different rate. Such payments are not part of the routine delivery rate. Finally, Ms. Smith concludes with the false assertion that the MWRA pays Boston Edison “a return on equity of 18.5 percent on the cable investment.” Although there is a formula return to HEEC based upon an assumed capital structure, it is my understanding that the overall return (not return on equity which would be lower still) to Boston Edison is more in the range of 12.76% for 2001.

Q. Are there any other points you would like to address?

1 A. My final point involves a rather minor statement, but one which I believe is
2 important in the context of this proceeding. At the bottom of page 3, Ms. Smith
3 states that electric service to the Deer Island facility “does not use Boston
4 Edison’s distribution system.” While I accept the points regarding the utilization
5 of the 115 kV cable under Boston Harbor and the exclusion of costs associated
6 with service below the 115 kV level (except metering), Boston Edison does in
7 fact provide distribution service to the MWRA’s Deer Island facility. Therefore,
8 a rate for this service, albeit small, is fully appropriate.

9 **Q. Does this conclude your testimony?**

10 A. Yes, it does.